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C O N F I D E N T I A L SECTION 01 OF 03 ASHGABAT 001260

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ENERGY FOR EKIMOFF/THOMPSON

E.O. 12958: DECL: 11/21/2017
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SUBJECT: SECRETARY OF ENERGY SAMUEL W. BODMAN'S MEETING
WITH TURKMENISTAN'S DEPUTY PRIME MINISTER FOR OIL AND GAS
TACHBERDI TAGIYEV (11/15/07)

Classified By: CHARGE RICHARD E. HOAGLAND FOR REASONS 1.4 (B), (D)

11. (U) U.S. PARTICIPANTS:

Secretary of Energy Samuel W. Bodman

SIPDIS
Senior Adviser Molly Williamson
Assistant Secretary Karen Harbert
Public Affairs Director Andrew Beck
Charge d'affaires Richard Hoagland

TURKMENISTAN PARTICIPANTS:

Deputy Prime Minister for Oil and Gas Tachberdi Tagiyev
Minister for Oil and Gas Baymurat Hojamammedov
Chairman of TurkmenOil Garyagdy Tashliyev
Chairman of TurkmenGas Yagshygeldi Kakayev
Chairman of TurkmenGeologika Sapargeldi Jumayev

12. (C) SUMMARY: Secretary of Energy Bodman encouraged Deputy Prime Minister Tagiyev to work together with Azerbaijan and Kazakhstan to develop Caspian energy resources, and to consider a Trans-Caspian Pipeline (TCP) so that Turkmenistan can sell its gas directly to the West. Tagiyev said a TCP has not been ruled out. He added that "so far" Turkmenistan sells its gas at its borders. If this &so far8 was not a slip of the tongue, it could indicate this until now hard-and-fast policy might be under discussion behind closed doors. END SUMMARY.

13. (SBU) U.S. Secretary of Energy Samuel W. Bodman met for 45 minutes on November 15 with Deputy Prime Minister for Oil and Gas Tachberdy Tagiyev, who expressed his government,s gratitude for the Secretary,s visit and for his speech

earlier in the day at the Turkmenistan International Oil and Gas Exhibition (TIOGE-2007). Tagiyev cited Turkmenistan,s publicly available statistics of its hydrocarbon reserves. He said Turkmenistan intends to produce annually by 2030 110 million tons of oil and 250 billion cubic meters of natural gas. He explained that Turkmenistan currently sells the lion,s share of its natural gas to Russia "because that,s where the existing pipelines go." He said that Turkmenistan,s door is wide open to international energy investors in the Caspian Sea -- of 32 blocks available, only four are currently being exploited.

14. (SBU) Tagiyev noted that Turkmenistan has been producing oil for over 130 years. The Scandinavian Nobel arrived in Chelikan in 1864 and began extracting near-surface oil. After independence in 1991, Turkmenistan began buying most of its energy-sector equipment from the United States. He encouraged Secretary Bodman to think of the current development of the energy sector as in sync with the development of the city of Ashgabat. In earlier days, you could see nothing but broken-down Soviet cars on the streets, but now the streets are packed with expensive European and Japanese sedans and SUVs.

15. (C) Tagiyev noted Turkmenistan has excellent relations with U.S., European, and Japanese energy companies. He commented ExxonMobil in the 1990s had the first on-shore PSA, but "ran away for some reason, maybe Afghanistan. Turkmenistan does not want that to happen this time around."

TAGIYEV REPEATS THE TALKING POINTS

16. (SBU) Tagiyev reiterated Turkmenistan,s current policies: priority will be given to gas and oil refining for

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finished products, the city and port of Turkmenbashy will be fully modernized, the Saydi Refinery at Turkmenabat will be modernized and enlarged, and existing on-shore fields will boost production with the help of foreign-company service contracts.

17. (C) He confirmed that "very soon" Turkmenistan will sign an agreement that the ConocoPhillips/Lukoil partnership will develop Caspian blocks 19, 20, and 21.

18. (U) He proudly noted domestic natural gas, electricity, water, and salt are free for Turkmenistanis, and gasoline is cheaper than anywhere else in the world -- \$1 for 50 liters.

19. (U) Tagiyev said President Berdimuhamedov pays "special attention" to education and new technologies and has "huge plans" for these sectors. He noted Turkmenistan understands it needs foreign companies and foreign investment. Therefore, Turkmenistan,s doors are open to everyone.

TRILATERAL COOPERATION

110. (C) Secretary Bodman noted Turkmenistan,s friendship with Kazakhstan and Azerbaijan, and encouraged the three countries to work together to seize the current opportunities, which Secretary Bodman said he can "smell in the air." He said the problem with Kashegan in Kazakhstan is that Kazakhstan had made a wrong initial choice of operator, and he encouraged Turkmenistan to do careful due diligence in choosing its new partners.

TRANS-CASPIAN PIPELINE

111. (C) Secretary Bodman noted the importance of developing the Trans-Caspian Pipeline to enable Turkmenistan to deliver its natural gas to the West. He emphasized this view is not anti-Russia, but rather pro-Turkmenistan. Countries are more successful when they have multiple partners. Those reliant on a single partner can be subject to "external political will." The Secretary noted that even Europe has come around

to this position and now has a real desire for more sources of gas. He said, "My main message to you and to your President is that higher prices through multi-partner competition will be in your own interest." He added that the United States frankly doesn't care if Turkmenistan's new energy partners are European or American. The important point is that Turkmenistan diversify its partners. "This is not in our interest; it's in your interest."

¶12. (C) Tagiyev replied, "You are right. President Berdimuhamedov has emphasized we need a number of pipelines, and TCP should be one of them -- although that is still an open issue. We want to sell our gas in all directions, but the situation in Afghanistan and Pakistan is hindering any plans to sell southward." He then added, "So far (poka), we sell our gas at the border."

¶13. (C) Secretary Bodman concluded, "It is important for Turkmenistan to take advantage of current market opportunities. The results for your people will be extraordinary. The future of the country is in your hands."

¶14. (C) COMMENT: Tagiyev is a conservative technocrat. He had nothing especially new to say beyond Turkmenistan's well-known talking points. Except for one thing, which may have been a slip of the tongue, or could be significant: "So far, we sell our gas at the border." We have never before

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heard a Turkman official say "so far." An optimistic interpretation is that this policy is now being debated behind closed doors. END COMMENT.

¶15. (U) Secretary Bodman's party did not have an opportunity to clear this cable.
HOAGLAND